

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 6737**

**BILL NUMBER:** HB 1694

**NOTE PREPARED:** Dec 24, 2008

**BILL AMENDED:**

**SUBJECT:** Tax abatement for leased property.

**FIRST AUTHOR:** Rep. Borror

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill allows a real property owner to apply for the economic revitalization area property tax abatement when the property owner leases the property to a lessee who uses the property and employs the individuals necessary to receive the abatement.

**Effective Date:** January 1, 2010.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** For taxes payable in 2011 and after, this bill extends property tax abatement credits to a property owner who leases property in an abatement area to a lessee who uses the property and employs the individuals necessary to receive the abatement. Under current law, new manufacturing, research and development, logistical distribution, and information technology equipment may qualify for property tax abatements. The abatement is equal to the property's AV multiplied by a percentage according to a schedule and is available for up to ten years. To obtain the abatement the taxpayer would file a deduction application with the county auditor who may approve, deny, or alter the amount claimed after considering the county or township assessor's recommendation. The county auditor's action would be appealable.

If there is an increase in development because of this proposal, the new property would, at some point, be placed on the tax rolls. Until then, an increase in the value of abatements would reduce total AV causing a

shift of part of the property tax burden from the abated taxpayers to all taxpayers via an increased tax rate.

When the property is placed on the tax rolls, this could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the abatement, an increase in abatements could also cause a delay in the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. In all cases, the granting of an abatement is a local decision. The impact would depend on the number and value of new abatements that might be granted because of this proposal.

Total local revenues, except for cumulative funds, would remain unchanged. Until the property is placed on the tax rolls, the revenue for cumulative funds could be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

**State Agencies Affected:** Department of Local Government Finance.

**Local Agencies Affected:** County auditors, County assessors, Township assessors.

**Information Sources:**

**Fiscal Analyst:** David Lusan, 317-232-9592.